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Audits Division

PORT COMMISSION:

Concession Audit of
The SFO Forecast Inc.
(Cioppino's)

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CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER AUDITS DIVISION

Edward Harrington
Controller

April 15, 2002

Audit Number 01047

San Francisco Port Commission
Ferry Building, Room 3100
San Francisco, CA 94111

President and Members:

The Controller's Audits Division presents its report concerning the concession audit of The SFO Forecast Inc., doing business as Cioppino's. Cioppino's has a lease to operate a seafood restaurant and bar on a property owned by the San Francisco Port Commission (Port).

Reporting Period: October 1, 1998, through September 30, 2001

Rent Paid: \$599,297

Results: Cioppino's correctly reported gross revenues of \$8,878,420 and correctly paid its rent to the Port.

Respectfully submitted,

Noriaki Hirasuna
Director

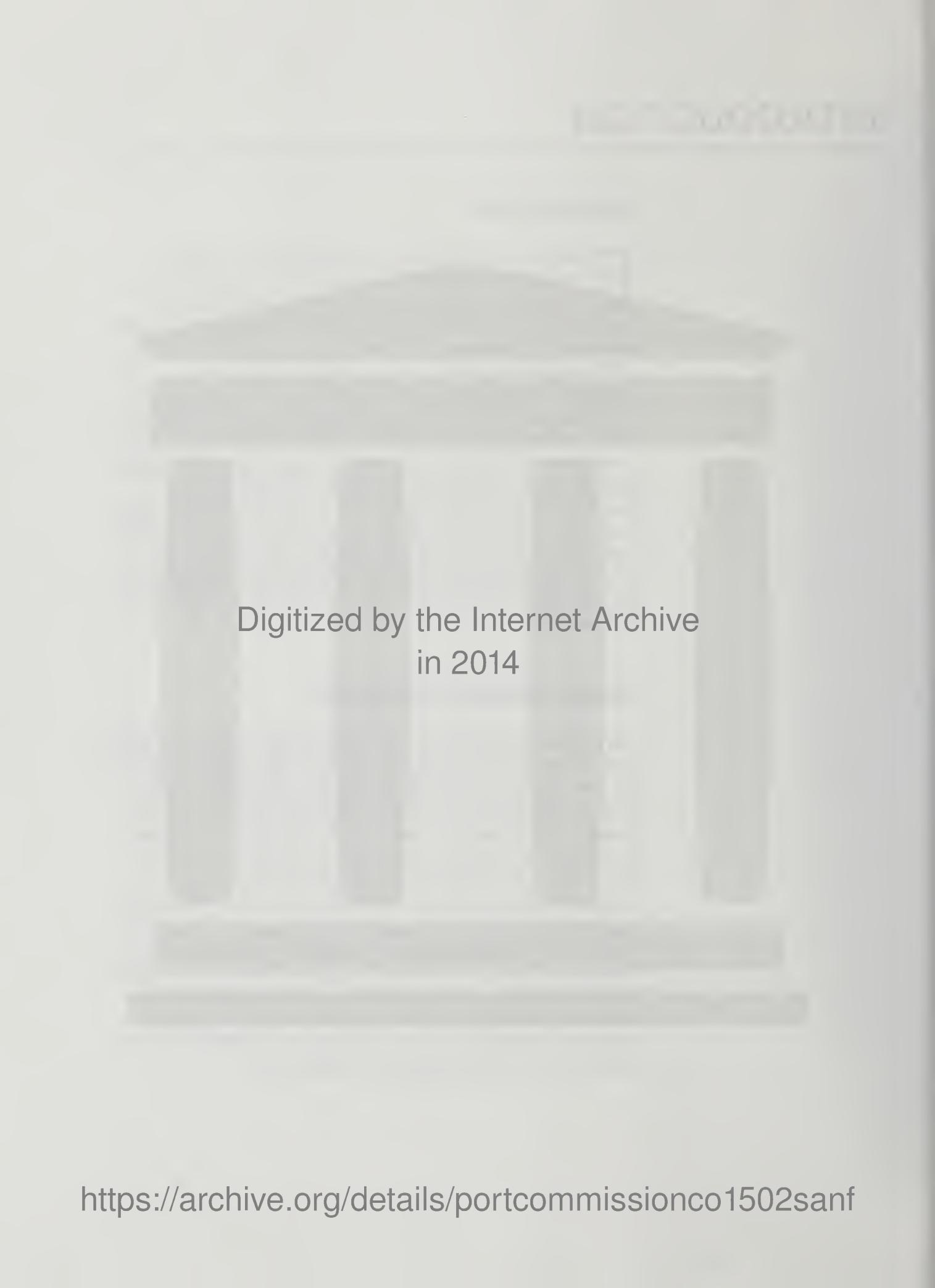
INTRODUCTION

BACKGROUND

Effective April 4, 1996, The SFO Forecast Inc., doing business as Cioppino's (Cioppino's), assumed a 61-year lease, which expires on April 20, 2036, with the San Francisco Port Commission (Port) to operate a seafood restaurant and bar on Port property. The Port issued a resolution on April 27, 1999, which changed the type of business to a full service restaurant, and excluded any casual dining use. The Port adjusted the percentage rental due to usage change retroactive to October 1, 1998. The lease requires Cioppino's to pay the Port the greater of a monthly minimum rent, or a specified percentage of its monthly gross revenues. The lease also requires the Port to adjust the monthly minimum rent at the end of every five-year period of the lease. The monthly minimum rent ranged from \$3,174 to \$3,721 during the audit period. The Port specified a percentage rent of 6.75 percent for gross receipts on retail wine, food, and all items sold through the bar. The percentage rent for other retail sales is 8.75 percent.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine if Cioppino's complied with the reporting, payment, and other provisions of its lease with the Port. Our review covered the period from October 1, 1998, through September 30, 2001. To conduct the audit, we reviewed the applicable terms of the lease and the adequacy of Cioppino's procedures for collecting, recording, summarizing, and reporting its gross receipts to the Port. To determine whether Cioppino's accurately reported its gross receipts to the Port, we compared its reported gross receipts to the gross receipts Cioppino's reported in its monthly summary records for all months of the audit period. On a sample basis, we examined Cioppino's monthly sales records, daily sales reports, cash register tapes, and bank deposit records. We also compared for the selected quarter the gross receipts Cioppino's reported to the Port with the gross receipts Cioppino's reported to the California Board of Equalization.



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AUDIT RESULTS

CIOPPINO'S CORRECTLY REPORTED ITS GROSS REVENUES AND CORRECTLY PAID ITS RENT

From October 1, 1998, through September 30, 2001, Cioppino's correctly reported gross revenues of \$8,878,420 and paid rent of \$599,297 to the Port. The table below shows Cioppino's reported gross revenues and rent paid to the Port.

TABLE

**Cioppino's
Gross Revenues Reported and Rent Paid
October 1, 1998, Through September 30, 2001**

	Gross Revenues Reported	Rent Paid
October 1, 1998, through September 30, 1999	\$2,905,961	\$196,152
October 1, 1999, through September 30, 2000	3,041,246	205,286
October 1, 2000, through September 30, 2001	2,931,213	197,859
Total	\$8,878,420	\$599,297

We conducted this review according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Staff: Bing Julian-Mantegna, Audit Manager
Lorita Chung

cc: Mayor
Board of Supervisors
Civil Grand Jury
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